

## DISCRETIONARY RATE RELIEF

Finance & Investment Advisory Committee - 10 January 2023

**Report of:** Deputy Chief Executive and Chief Officer - Customer and Resources

**Status:** For Decision

**Also considered by:**

- Cabinet 12 January 2023

**Key Decision:** No

**Executive Summary:** The Council requires potential recipients of discretionary rate relief to submit a formal application every two years. This report sets out the proposals for awarding discretionary rate relief for 2023/2024 to ratepayers who have submitted applications or will have done so by 28 February 2023.

**This report supports the Key Aim of:** Supporting and developing the local economy and providing value for money.

**Portfolio Holder:** Cllr. Dickins

**Contact Officer(s):** Sue Cressall, Ext. 7041

Paula Porter, Ext. 7277

**Recommendation to Finance & Investment Advisory Committee:** members are asked to recommend that Cabinet approve the proposals for granting relief from business rates for 2023/2024 set out in Appendix B.

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**Reason for recommendation:** Relief from business rates provides organisations with valuable support and contributes to the Council's commitment to supporting and developing the local economy.

## Introduction and Background

- 1 Charities and sports organisations that have charitable status currently receive 80% mandatory relief. In order to qualify for the mandatory relief the organisation must be established for charitable purposes only and the premises must be wholly or mainly used for charitable purposes. Sports clubs registered with HMRC as community amateur sports clubs are also entitled to 80% mandatory relief.

Certain types of business in rural villages may qualify for 50% mandatory rate relief subject to the rateable value of the property being under specified limits.

- 2 Section 47 of the Local Government Finance Act 1988 (as amended by s69 of the Localism Act 2011) provides local authorities with powers to grant discretionary rate relief of up to 100% to any ratepayer.
- 3 Discretionary rate relief can be awarded in isolation or given to 'top-up' a mandatory award.
- 4 However, unless one of the following apply, authorities may only grant discretionary rate relief if satisfied that it would be reasonable to do so, having regard to the interests of the council tax payers:
  - The ratepayer is a charity or trustees for a charity, and the property is wholly or mainly used for charitable purposes; or
  - The ratepayer is a community amateur sports club and the property is wholly or mainly used for the purpose of the club and other such clubs; or
  - The ratepayer is entitled to mandatory rural rate relief; or
  - All or part of the property is occupied by non-profit making organisations whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or
  - The property is occupied by a club, society or other non-profit making organisation and it is wholly or mainly used for purposes of recreation.
- 5 Authorities should have easily understood guidelines for deciding whether or not to grant relief and for determining the amount of relief which should be based on the consideration of the merits of each individual case. However, as the range of bodies that may be eligible for discretionary rate relief is wide, not all the suggested criteria will be applicable in each case.
- 6 The Council currently grants discretionary rate relief over the following categories:
  - Discretionary rate relief up to 100% of rates bill (but usual award is 80%);

- Village Shop rate relief at 50% of rates bill;
  - Hardship relief up to 80% of rates bill; and
  - Discretionary 'top-up' relief to take total relief up to 100% of the rates bill.
- 7 Members reviewed the criteria for granting discretionary rate relief to charities, not for profit organisations, discretionary rural rate relief and hardship relief in February 2013 and this is attached at Appendix A.
- 8 The Government announced the intention to double mandatory rural rate relief to 100% from 1 April 2018 onwards. However, this still requires an amendment to primary legislation which cannot be implemented by 1 April 2022. Local Authorities are advised to use discretionary powers to award the additional 50% relief which will be reimbursed by way of a section 31 grant.
- 9 Officers also recommend the award of discretionary rural rate relief to those businesses offering some or all of the service of a Post Office, General Store or food shop which is essential to the community but do not qualify for mandatory rural rate relief because of the rateable value.
- 10 The recommendation is to award discretionary rural rate relief after application of other reliefs so as to give the ratepayers 100% relief from business rates.
- 11 Applications from ratepayers falling outside of these criteria will be considered on their merits and individual recommendations will be made having regard to the interests of the District's council tax payers.

#### **Approach taken to reviewing applications**

- 12 The full list of applications, together with officer recommendations, is attached at Appendix B. Each application has been considered on its own merits, however in reviewing applications against the criteria, similar organisations were considered together, to ensure consistency of approach.
- 13 The criteria was applied as follows for discretionary rate relief and discretionary top-up relief:
- Links to Council priorities - the extent to which the activities supported the Council's priorities was assessed, including support/activities for vulnerable or socially excluded groups.
  - Evidence of financial need including reserve levels and assets - all organisations were requested to provide financial information and reserve levels were compared to annual expenditure, to assess financial need. The ability to generate income was also considered. In addition, for sports clubs, consideration was given to whether they had applied to become community amateur sports clubs (CASCs).

- Membership within the District - where it appeared that a substantial proportion of the membership was from outside the District, this was taken into account in putting forward a recommendation.
  - Membership open to all - where membership is restricted to a particular group or locations, or is dependent on recommendations from existing members this has been taken into account, as not all residents would be able to benefit from the relief granted.
  - Membership fee levels - fee levels were assessed to consider whether they were so high that they could exclude some in the local community.
  - Bar activity and profits - if the bar is the main activity an organisation was unlikely to be recommended for relief. Any profits are expected to be used to fund club expenses.
- 14 For discretionary village shop relief, officers considered the benefits of the shop/business to the local community when compared with the cost of the relief. It is recommended that the village shops receive relief due to the benefit they provide to local communities.
- 15 Where a ratepayer receives 100% small business rate relief the recommendation is for no discretionary rate relief or village shop relief to be granted, since the businesses already receive maximum support.
- 16 There is no formal appeals process against the Council's decisions on the discretionary reliefs referred to in this report. The current approach is however to re-consider decisions in the light of any representations made by the ratepayers.

#### **Applications for 2023/2024**

- 17 Appendix B contains the details of each applicant to be considered for relief for 2023/2024 and recommendations of the level of relief to be applied. All applicants fall to be considered under the criteria set out in Appendix A.
- 18 In the Autumn Statement on 17 November 2022 the Chancellor announced a multiplier freeze for 2023/2024. Although still subject to final confirmation, it is anticipated that the small business non-domestic rating multiplier will be set at 49.9p and the standard non-domestic rating multiplier will be set at 51.2p.
- 19 The draft rating list containing rateable values that are due to take effect from 1 April 2023 was published on 17 November 2022.
- 20 The estimated level of relief is based upon the multipliers set out in paragraph 17 and the rateable values published in the draft list on 17 November 2022. Ultimately, should the multipliers or the rateable values change a further report setting out the revised relief awards will be submitted.

- 21 Further reliefs were also announced in the Autumn statement which may impact on the estimated level of relief recommended. As the guidance surrounding these reliefs has not yet been published, the recommendations take no account of the potential effect and the final relief may be less.
- 22 If applications are approved, the estimated total gross relief granted would be £227,253.42.
- 23 Members should be aware that the requirement for relief can change during the financial year as a result of rateable value changes, vacations etc. Therefore, some of these awards may not ultimately require full funding.

#### **Other options Considered and/or rejected**

- 24 Members have discretion not to grant rate relief or to vary the amount of relief awarded. No recommendation is being made to reduce or remove relief because relief from business rates provides organisations with valuable support and contributes to the Council's commitment to supporting and developing the local economy.

#### Key Implications

#### Financial

- 25 Since 1 April 2013 all discretionary relief granted has come under the provisions of the business rate retention scheme.
- 26 The cost of relief is initially shared between central government (50%) and local authorities (50%). Of this Sevenoaks District Council is required to fund 40%. However, due to the complexities of business rates retention, the actual impact is likely to be significantly lower.
- 27 Appendix B only refers to the gross discretionary rate relief proposed.
- 28 S31 grants will be made to compensate for the top-up to mandatory rural rate relief.

#### Legal Implications and Risk Assessment Statement

- 29 There are no legal issues.

#### Risk Assessment Statement

- 30 New organisations may request relief after the deadline for receipt of applications and so would not be able to receive discretionary relief until the next annual review. In order to address urgent cases the Deputy Chief Executive - Chief Officer for Customer and Resources determines any relief to be awarded under delegated authority. These organisations would then apply in the usual way for the next round.
- 31 A biennial application process may seem to be an additional burden for businesses, many of whom are small. Officers have taken account of this in

designing the application process so as to minimise the administrative burden on applicants.

### Equality Assessment

- 32 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

### Net Zero Implications

- 33 The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

### **Conclusions**

- 34 There are clear benefits to the business community of awarding discretionary rate relief and therefore the proposals are submitted for endorsement as per Appendix B.

#### **Appendices**

Appendix A - Policy for considering applications for Discretionary Rate Relief

Appendix B - List of organisations proposed to receive relief

#### **Background Papers**

None

**Jim Carrington-West**

**Deputy Chief Executive and Chief Officer - Customer & Resources**